

Davis Real Estate Portfolio

For Variable Annuity Investors Who Are Looking for Growth and Income from Real Estate Securities¹

December 31, 2016

Portfolio of Davis Variable Account Fund, Inc.

► Experienced Management



Andrew A. Davis
Portfolio Manager
24 years with
Davis Advisors



Chandler Spears
Portfolio Manager
16 years with
Davis Advisors

“We carefully select investments company by company. We concentrate on finding attractive valuations—looking for companies selling at a discount to their expected cash flow growth rate over the next several years.”

► Investment Strategy

Consistent with the signature Davis Investment Discipline, the Portfolio seeks companies with first-class management teams who view real estate as a means of producing steadily increasing income and strong returns on capital.

Portfolio Managers Andrew Davis and Chandler Spears view REITs as a significant asset class because they have historically lower price volatility than stocks and strong balance sheets.

The Portfolio provides investors with a good way to increase the diversification of their portfolios. Real estate securities have shown a lower sensitivity to price movements (Beta) than the broad stock market averages, and real estate returns over the long term have been comparable to those of equities, but are not correlated with them (R-squared).

► Portfolio Data

Inception Date	7/1/99
Total Net Assets	\$17,866,019
Number of Securities	47
Beta (3 years)	1.0
R-Squared (3 years)	1.0
Turnover as of most recent audited financial statement	95% ²

► Top 10 Holdings

Simon Property Group	5.8%
Public Storage	3.9
Terreno Realty	3.9
AvalonBay Communities	3.6
Catchmark Timber Trust-Class A	3.5
Mid-America Apartment Communities	3.4
American Campus Communities	3.3
Acadia Realty Trust	3.3
Prologis	3.2
Equity Residential	3.0

► Top 5 Industries

Residential	21.3%
Retail	21.3
Specialized	20.0
Industrial	12.5
Office	10.3

► Asset Allocation

Common Stocks	91.5%
Cash & Equivalent	5.1
Foreign Stocks	2.7
Preferred Stocks	0.7

1. There is no guarantee that the investment goals/objectives will be met. 2. Over the last five years, the high and low turnover rate for Davis Real Estate Portfolio was 95% and 51%, respectively.

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This material is authorized for distribution only when accompanied or preceded by a current Davis Real Estate Portfolio prospectus, which contains more information about investment objectives, risks, fees, and expenses. Please read the prospectus carefully before investing or sending money.

Davis Real Estate Portfolio's investment objective is total return through a combination of growth and income. There can be no assurance that the Portfolio will achieve its objective. Under normal circumstances the Portfolio invests at least 80% of its net assets, plus any borrowing for investment purposes, in equity, convertible, and debt securities issued by companies principally engaged in the real estate industry. Some important risks of an investment in the Fund are: stock market risk: stock markets have periods of rising prices and periods of falling prices, including sharp declines; manager risk: poor security selection may cause the Fund to underperform relevant benchmarks; common stock risk: an adverse event may have a negative impact on a company and could result in a decline in the price of its common stock; large-capitalization companies risk: companies with \$10 billion or more in market capitalization generally experience slower rates of growth in earnings per share than do mid- and small-capitalization companies; mid- and small-capitalization companies risk: companies with less than \$10 billion in market capitalization typically have more limited product lines, markets and financial resources

than larger companies, and may trade less frequently and in more limited volume; headline risk: the Fund may invest in a company when the company becomes the center of controversy. The company's stock may never recover or may become worthless; real estate risk: real estate securities are susceptible to the many risks associated with the direct ownership of real estate, such as declines in property values and increases in property taxes; focused portfolio risk: funds that invest in a limited number of companies may have more risk because changes in the value of a single security may have a more significant effect on the value of the Fund's total portfolio; variable current income risk: the income which the Fund pays to investors is not stable; and fees and expenses risk: the Fund may not earn enough through income and capital appreciation to offset the operating expenses of the Fund. See the prospectus for a complete description of the principal risks.

Broker-dealers and other financial intermediaries may charge Davis Advisors substantial fees for selling its products and providing continuing support to clients and shareholders. For example, broker-dealers and other financial intermediaries may charge: sales commissions; distribution and service fees; and record-keeping fees. In addition, payments or reimbursements may be requested for: marketing support concerning Davis Advisors' products; placement on a list of offered products; access to sales meetings, sales representatives and management representatives; and participation in conferences or seminars, sales or training programs for invited registered representatives and other employees, client and investor events and other dealer-sponsored events. Financial advisors should not consider Davis Advisors' payment(s) to a financial intermediary as a basis for recommending Davis Advisors.

Beta is a measure of a portfolio's sensitivity to market movements in the last 36 months. The Portfolio's index as identified in the prospectus has a Beta of 1.00. While no single measurement can predict the future, a Beta of greater than 1.00 predicts greater volatility and a Beta of less than 1.00 predicts less volatility than the stock market as a whole.

R-squared is a measure of the percentage of a portfolio's change in net asset value in the last 36 months that is explained by movements in a benchmark index. An R-squared of 1.0 indicates that all of the change in a portfolio's asset value is completely explained by movements in the index.

Turnover Rate is a measure of the trading activity in a mutual fund's investment portfolio that reflects how often securities are bought and sold.

Industry Classifications: Source: Davis Advisors and Wilshire Atlas. The Portfolio generally uses Global Industry Classification Standards ("GICS") as developed by Morgan Stanley Capital International and Standard & Poor's Corporation to determine industry classification. GICS presents industry classification as a series of levels (i.e. sector, industry group, industry, and sub-industry). Allocations shown are at the sub-industry level for Real Estate securities. Non-Real Estate securities are shown at the industry group level. The Advisor may reclassify a company into an entirely different industry if it believes that the GICS classification for a specific company does not accurately describe the company. Industry Group weightings are subject to change.

An investment in the Portfolio is not a deposit of any bank and is not insured or guaranteed by any bank, the Federal Deposit Insurance Corporation or any other government agency.

There is no guarantee that the Portfolio's investments in these companies will be profitable.